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January 4, 2002

Arizona Corporation Commission

DOCKETED

JAN 04 2002

Brian McNeil
 Executive Secretary
 Arizona Corporation Commission
 1200 West Washington
 Phoenix, Arizona 85007

DOCKETED BY

Re: Duke Energy Arlington Valley, L.L.C. ("Duke")
 Docket No. L-00000P-01-0117
 (Case No. 117)

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Dear Mr. McNeil:

INTRODUCTION

This letter is written on behalf of Sempra Energy Resources ("Sempra"). It is occasioned by the language of Condition No. 16 of the Decision and Certificate of Environmental Compatibility ("CEC") issued by the Arizona Power Plant and Transmission Line Siting Committee on November 15, 2001. It is Sempra's understanding that the aforesaid Decision and CEC conditions will be considered by the Commission during its January 8, 2002 Open Meeting.

The purpose of this letter is to advise the Commission in advance of certain concerns Sempra has with the current language of condition No. 16, and problems and potential jurisdictional conflicts which may arise if that language remains unchanged. Some background information in that regard is in order.

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BACKGROUND

In November 2000, Sempra Energy Resources (SER) submitted a request to SDG&E to sponsor an upgrade of the series capacitors on the Southwest Powerlink (SWPL). SWPL contains three line sections: Palo Verde - North Gila 500 kV, North Gila - Imperial Valley 500 kV and Imperial Valley - Miguel 500 kV. In January 2001, Sempra Energy Resources (SER) submitted a request to Southern California Edison (SCE) to sponsor an upgrade of the series capacitor on Palo Verde-Devers 500kV.

The FERC process of sponsoring a transmission upgrade on a specific Transmission Owner's (TO) system is similar to a request for interconnection of a generator. When the request is received by the TO, it is "date-stamped" and put in the TO's interconnection queue. A higher position in the queue grants a higher priority. For example, if another party were to put an upgrade request for the same transmission line/facility upgrade even a day after the first party, the first party holds the right to make those upgrades if desired and receive the associated Firm Transmission Rights (FTR), if applicable. FTR will be granted when the upgrade of a transmission line/facility results in an increase of the transfer capability of an established WSCC path rating (East of the River - Path 49) in this case.

The study "process" for a transmission line/facility sponsored upgrade as for a generation interconnection starts with a System Impact Study. Currently, SDG&E and SCE (the transmission owners of SWPL and Palo Verde-Devers, respectively) are in the process of finalizing the System Impact Study scope. Since any increase in the East-of-River path rating will require final approval from the Western Area Transmission System (WATS) Committee, Sempra is working very closely with them in the initial phase so most of their concerns can be addressed upfront. The proposed schedule shows that the study will be finalized and sent out for comments in June 2002.

DISCUSSION

The current language of Condition No. 16, on its face, suggests a lack of understanding on the part of the Siting Committee of the above-described FERC process for sponsoring a transmission upgrade, and/or an unawareness of the process currently underway for the Palo Verde - North Gila 500 kV line and Sempra's involvement in that process. This is perhaps because the Siting Committee was not apprised of these matters during the hearings in Case No. 117. In any event, in order to avoid jurisdictional conflicts between the Commission and FERC, Sempra wanted to bring this matter to the Commission's attention.

Sempra believes the potential for such jurisdictional conflict can be avoided by adding language to Condition No. 16 stating that nothing in that paragraph is intended to (i) preempt FERC jurisdiction as to either interconnection or transmission service or (ii) grant Duke a priority in either service.

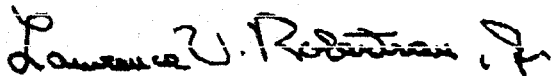
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CONCLUSION

Sempra hopes the foregoing proves to be useful for the Commission, and that Sempra's aforementioned concerns can be addressed. The company will have representatives in attendance at the January 8, 2002 Open Meeting, and may request the opportunity to offer comment.

Sincerely,



Lawrence V. Robertson, Jr.

LVR:ci

cc: Laurie A. Woodall
Thomas A. Campbell
Janice M. Alward